

Message Text

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SUBJ: SELECTION OF AUTOMOTIVE PRODUCERS

REF: SANTIAGO 3311

1. BEGIN SUMMARY. GM AND VW SELECTED TO ASSEMBLE VEHICLES IN CHILE. THIRD ASSEMBLER TO BE ANNOUNCED. DISPOSITION OF FORD PLANT IN CASABLANCA STILL A PROBLEM. END SUMMARY.

2. CHILEAN AUTOMOTIVE COMMISSION ANNOUNCED WINNING BIDDERS TO ASSEMBLE AUTOMOBILES IN CHILE: U.S. GENERAL MOTORS, AND VOLKSWAGEN OF BRAZIL.. ONE MORE ASSEMBLER WILL BE ANNOUNCED SHORTLY. MOST SOURCES THINK IT WILL BE JAPAN'S NISSAN, WITH FIAT AND PEUGEOT/RENAULT FALLING BY THE WAYSIDE WITH FORD, MERCEDES, CHRYSLER, AND TOYOTA (SEE REFTEL). BRAZILIAN VW APPARENTLY WILL LOCATE IN EXISTING ASSEMBLY PLANT IN ARICA.

3. FORD REPRESENTATIVE SAID GOC CONSIDERED FORD'S OFFER "UNRESPONSIVE" TO BID SOLICITATION. REPRESENTATIVE ADMITS FORD'S OFFER WAS CAREFULLY HEDGED TO AVOID ASSUMING TAX, SALARY, OR TRADE-BALANCING "COMPLEMENTATION" AGREEMENT OBLIGATIONS FROM PREVIOUS YEARS. TELEGRAM FROM HENRY FORD TO CHILEAN FORD DEALERS STRESSED FORD'S DIFFICULTY IN ACCEPTING STRINGENT REQUIREMENTS ATTACHED TO FUTURE AUTO
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ASSEMBLY IN CHILE. FORD REPRESENTATIVE POINTED OUT TO EMBASSY THAT FORD'S LOSSES IN CHILE IN LAST DECADE

-- \$60 MILLION IN FREI ADMINISTRATION, MORE IN ALLENDE YEARS -- EXPLAIN ITS RELUCTANCE TO BID EAGERLY.

4. FORD STILL HOLDS IMPORTANT TRUMP CARD - RESIDUAL CLAIM TO CASABLANCA PLANT - WHICH IT MAY PLAY WHEN TIME IS RIGHT. AT PRESENT, USE OF CASABLANCA IS HIGHLY INEFFICIENT, AS NO MORE THAN 10 PEGASO (SPANISH) LIGHT TRUCKS ARE ASSEMBLED DAILY. IT WOULD BE VERY CONVENIENT FOR GM AND VW TO OCCUPY READY-BUILT PLANTS AT CASABLANCA AND LOS ANDES. ONE OTHER EXISTING ASSEMBLY PLANT OWNED BY FIAT IN RANCUAGA IS TOO SMALL TO BE USED FOR VOLUME OF PRODUCTION CONTEMPLATED BY CHILEAN AUTO COMMISSION. HOWEVER, FORD COULD CONCEIVABLY LOCK UP PLANT AS IT HAS WITH SIMILAR UNIT IN PERU, ACCORDING TO REPRESENTATIVE.

5. COMMENT: ANNOUNCEMENT OF "WINNERS" IN BIDDING DOES NOT REALLY CLEAR AUTOMOTIVE SECTOR PICTURE BECAUSE LOCATION OF GM AND NISSAN UNDECIDED. VW WILL PROBABLY LOCATE IN ARICA. MEANWHILE, FORD APPEARS TO BE EXPLOITING ITS CONSIDERABLE NUISANCE VALUE TO KEEP ALIVE ITS CHANCES TO RETAIN CASABLANCA PLANT AND EVENTUALLY RESUME PRODUCTION IN CHILE.
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